Sonoma Clean Power Frequently Asked Questions

As Sonoma Clean Power transitions from a plan to an operating program, these FAQs will be updated frequently. Check the temporary website at www.scwa.ca.gov/cca for updates.

1. **What is Sonoma Clean Power?**
   Sonoma Clean Power (SCP) is a Community Choice Aggregation program (see next FAQ) that will provide electric power to the residents, businesses and institutions in participating jurisdictions throughout Sonoma County. SCP will be operated by a joint powers authority formed by the County of Sonoma and the Sonoma County Water Agency and will include the cities of Sonoma County which decide to join after they review preliminary rate information due out in mid-April. SCP is expected to start providing service to a small portion of customers at the beginning of 2014, pending a final vote to proceed by its Board of Directors. The rollout of the program to remaining customers in participating cities will happen in phases over 3 years.

2. **What is a Community Choice Aggregation, or "CCA?"**
   Community Choice Aggregation (CCA) is a way that cities and counties can consolidate the buying power of individual customers to get good rates on energy with a higher fraction of renewable content. The existing utility (PG&E) will continue to provide all of the delivery, line maintenance, outage management, new service requests, billing services and energy efficiency programs. Marin County (with the City of Richmond) has an operating CCA and several areas of California, including San Francisco, San Diego, Monterrey/Santa Cruz, San Luis Obispo and Yolo County are developing a CCA or exploring that possibility. CCAs are common in Illinois, where more than 300 municipalities participate in CCAs, and CCAs have a track record of providing affordable energy in Massachusetts (since 1998) and Ohio (since 2000).

3. **Why would we form a CCA?**
   A CCA can provide multiple benefits. These include reducing the amount of greenhouse gas emissions associated with electricity use, stabilizing energy rates (and eventually reducing them below those charged by PG&E), increasing the amount of renewable energy systems in the county, providing additional efficiency programs and incentives and benefiting the local economy. Today, businesses do not have an effective market for selling renewable energy. Sonoma Clean Power will create that. Today, electric rates are set without any input from Sonoma County residents. Sonoma Clean Power will change that. Today, we rely on tax revenues to promote local efficiency programs. Sonoma Clean Power will change that.

   About $12 million is collected from Sonoma County ratepayers every year for use by PG&E for efficiency programs, but ratepayers have no say over what programs are implemented. A CCA has the ability to request a portion of that money to administer new programs that are better targeted to Sonoma County. Today, estimated profits of more than $10 million from energy sales are taken out of the county to pay private investors. That money would be better used inside Sonoma County on services and projects that benefit ratepayers and on rate reductions.

4. How will the rates compare with PG&E's rates?
Rates for 2014 are estimated to be between 1.8 percent below and 1.1 percent above PG&E's rates for residential customers and between 3.1 percent below and 0.5 percent above for commercial customers. The reason for this range is that SCP received 11 responses to the solicitation for energy supply bids, and is taking the time to negotiate with the top suppliers for a final contract between now and August. The final rates will be available by October, and will fall within this range.

SCP's goal is to keep rates comparable with PG&E's rates while providing a greener product. Over time, the amount of renewable energy and locally-sourced energy will steadily increase, while rates will continue to stay competitive with PG&E's rates.

5. Will low income residents still get the subsidy for the CARE rate?
Yes.

6. Is there an option to buy greener electricity?
Yes. SCP will offer an optional rate for 100% renewable energy at a premium. In addition, SCP aims to increase the portion of green energy it sells to all customers over time.

7. How will billing change?
Customers will continue to get just one bill from PG&E that charges for energy, distribution, transmission and the usual taxes and program fees. PG&E will send payments for the energy generation portion of the bill to SCP.

8. When will customers start receiving service?
SCP will start providing electricity in early 2014 to a portion of customers in County unincorporated areas and in each of the cities that choose to join SCP. In addition to a major media outreach effort, customers will receive legally-required notices of their right to opt out of the program beginning two months before they start receiving service. More customers will start receiving service in early 2015 and 2016. This process of phasing in customers helps ensure that SCP can provide good customer service and reduces financial risks by keeping the amount of start-up loans for energy supply contracts to a minimum.

Customers do not need to do anything to participate. Enrollment in SCP is automatic unless a customer chooses to opt out and stay with PG&E. Customers will receive four notices (two before enrollment and two after) that explains the changes and tells them how to opt out of service and stay with PG&E.

9. How can customers opt out?
Customers have the ability to opt-out of the Program beginning two months before service starts. The opt-out process will be simple and convenient. Customers will begin receiving notices with instructions on how to opt-out of Sonoma Clean Power 60 days prior to the first delivery of electricity. Customers will receive a minimum of four monthly notices. For two months prior and two months after service begins, customers may opt out of the program at no charge. After the first two months of service, a small one-time termination fee may be assessed.

10. Can't PG&E buy energy for less money because of its size?
No. The market for electric energy is very competitive, and PG&E's size does not provide an advantage on wholesale prices. PG&E also has costs that SCP will not have – PG&E must

make dividend payments to its stockholders and must pay various taxes. These costs impact PG&E's rates.

11. **Would service be interrupted if the CCA fails?**
    No. If the CCA was unable to continue providing energy to customers for any reason, then PG&E would seamlessly take over that function and customers would return to PG&E.

12. **Won't this just create another expensive government agency?**
    What exists today is a very expensive private entity that takes approximately $180 million in energy revenues out of Sonoma County every year, operating in a marketplace with no competition. By forming SCP, Sonoma County will be able to redirect the net income from energy sales back into Sonoma County, while allowing any customers who do not want to participate to opt out and stay with PG&E. None of the costs to operate SCP will come from taxpayers. SCP will not require a large number of employees. The Marin Energy Authority, which operates a CCA program in Marin County, has about 12 employees and SCP will begin operations with a smaller number.

13. **How would Sonoma Clean Power be governed?**
    SCP is governed by a Board of Directors with members appointed by the County and the cities choosing to join. The Board is advised and reviewed by a Ratepayer Advisory Committee and Business Operations Committee. The Board of Directors for Sonoma Clean Power will evolve as cities join.

    Each Director has one vote, but upon request by any Director an affirmative vote may also require a majority of "Voting Shares" weighted to the relative electric load in each participating city. Voting Shares are based on the relative amounts of energy used in each city and the County. Each Director has a voting share equal to their jurisdiction's annual energy use divided by the total annual energy use by all participating jurisdictions.

14. **Will Sonoma Clean Power have a negative impact on PG&E?**
    PG&E has a number of products and services they sell, including transmission, distribution, energy, incentive programs, billing and many other services. The formation of Sonoma Clean Power means that PG&E would face competition for energy sales. There would be no change in their other business areas, such as with transmission, distribution, outage management or existing energy efficiency programs. Moreover, as a regulated public utility, PG&E is entitled to continue collecting enough fees to cover all of their reasonable costs and profits associated with these services. As a result, PG&E will have to compete with SCP for customers on its energy sales, but SCP will have no impact on its other business services, which make up the majority of its business income and profit.

15. **Why not form a Municipal Utility?**
    Municipal utilities are similar to CCAs in that they also buy and sell electric energy to local customers. However, "munis" have the burden of owning and maintaining the electric distribution system (poles, lines, transformers, substations, etc.), setting up a billing structure, and must ensure power reliability. In contrast, CCAs do not require any initial infrastructure, do not need fleets of trucks or large numbers of employees, and do not have the immense start-up costs and liability risks associated with buying and managing the local electrical grid.

16. **What impact will Sonoma Clean Power have on jobs?**
The Feasibility Study estimated that SCP would have a significant impact on local jobs and the local economy. All revenues of SCP in excess of power and other costs must be spent on projects which benefit its ratepayers in Sonoma County. Since that revenue stream has historically been leaving the county, keeping that income local will provide a net benefit to local jobs. During the first few years of operations, SCP's net income will be relatively small as the program scales up. But after five years, we estimate SCP will have over $10 million in net income, and possibly as much as $15 million if we are able to secure management of the energy portion of the state-mandated Public Goods Charge. After the first several years of paying down startup costs, that net income will go toward producing permanent local jobs.
In addition, because SCP expects to obtain an increasing portion of its renewable supply from local projects, development of those projects will also have positive local economic impacts that go beyond the direct purchases and incentives made by SCP. SCP also plans to implement energy efficiency and conservation programs that will create work for local Sonoma County residents.

17. **Will the CCA risk public money?**
Yes, although the amount is limited to the money already spent plus the amount needed to secure the start-up capital. The Sonoma County Water Agency has spent close to $1 million through March 2013 on public surveys, a feasibility study, an implementation plan, regulatory analysis, load studies and managing the collection of preliminary energy bids and the development of estimated rates. The County may provide a guaranty of a loan to be received by SCP of up to $2.5 million to offset start-up costs, which guaranty would be released after three years. Cities joining SCP will not take on financial risk.
Because SCP is operated under an independent joint powers authority, the debts and liabilities of SCP cannot be attributed to the County, or the Water Agency, or the cities that decide to participate in the program. The "worst case" scenario for SCP is one in which the price of power purchased by SCP increases dramatically, leading to rates for SCP customers that are significantly in excess of PG&E's rates. This would cause large numbers of SCP customers to opt out of the program and return to PG&E, resulting in a reduced rate base for SCP and, potentially, an inability on the part of SCP to pay its power suppliers and other creditors.
By using established industry risk management techniques, this worst case is highly unlikely to occur. But even if it did, the financial risk is entirely upon SCP's creditors and suppliers. Because of the joint powers authority structure, SCP participants would not be liable for SCP's losses. And as noted in FAQ Number 10, if SCP failed, there would be no interruption in electric service to customers.

18. **What assurances do we have that the CCA will be well managed?**
Sonoma Clean Power is a joint powers authority that has a public board, public oversight and transparency. It is also set up to operate more like a business than monopoly utilities for the simple reason that it is in a competitive market. SCP will focus on winning the maximum number of customers by providing the highest value services.

19. **Can PG&E cause Sonoma Clean Power to fail?**
PG&E actively marketed to customers in Marin with messages that attempted to depict Marin Clean Energy as expensive and not green. Others in San Francisco have criticized the likely high rates of its proposed CCA program and the impact those rates would have on the

cost of living and local jobs. SCP has carefully reviewed these two programs and made significant improvements to create a stronger business.

SCP will launch with 33% renewable energy rather than the 50% level chosen by Marin and the 100% level chosen by San Francisco. This will allow SCP to keep rates much closer to current PG&E rates while building financial resources to support local renewable projects and programs. This way we will invest less money into Renewable Energy Credits (see next FAQ) and start building local renewable systems sooner. SCP intends to increase the percentage of renewables in its energy mix as soon as its finances can support it without a major impact on rates.

SCP will also benefit from starting after Marin Clean Energy, because that agency has helped clarify the many ways in which CCAs can ensure a healthy working relationship with PG&E. SCP will also benefit from launching after the passage of legislation that limits what actions PG&E can take to oppose the program (SB 790, Leno). This law limits the sources of money and the kinds of activities PG&E can use for negative marketing. SCP will quickly respond to any misinformation and use the CPUC to ensure PG&E fully cooperates with the formation and operation of the CCA.

20. What are Renewable Energy Credits (RECs)?

RECs are a way of creating more demand for renewable energy by allowing a renewable energy generator to more easily sell the environmental benefits of their power. A wind farm in Oregon can sell RECs to a utility in California without physically moving the energy across state lines because the renewable attribute is sold separately from the underlying energy. The effect is that renewable energy projects can be located far away from the utilities that value green power.

Despite the benefits RECs bring in terms of creating more demand for renewable energy, purchasing RECs from far-away projects is not SCP’s long-term goal, which is to focus on local projects. Local projects have the most environmental value because, in addition to their climate change mitigation benefits, they minimize the use of transmission grid infrastructure and have lower impacts on habitat. Local projects also directly support our local economy.

For these reasons, Sonoma Clean Power is launching with 33% renewable energy in its power mix, and is emphasizing in-state renewable production from the outset. The portion of energy from renewable sources for Phase 1 will contain a minimum of 50% delivered renewable energy and use RECs for up to 50%. If prices are favorable, SCP may increase the use of RECs in the short-term, but intends to use its net income primarily to support local programs and the construction of new local projects rather than investing in large amounts of RECs.

21. But is SCP really greener than PG&E?

SCP’s initial power mix contains 33% renewable energy compared with PG&E’s power mix with about 20% renewables. In addition, SCP's use of renewable energy will grow much more quickly than PG&E's. For Phase 1, SCP will use about 65% more renewable energy and this advantage will increase so that in five years SCP will use at least 74% more renewable energy, even after accounting for PG&E’s planned increases in renewable sources. SCP's investment in renewable energy resources will reduce the total greenhouse gas emissions of the power market. Despite the fact that PG&E has some low-carbon sources such as nuclear and large hydroelectric dams that are not counted in their renewable portfolio, SCP would result in a net reduction in total greenhouse gas emissions. This is because PG&E will continue to operate these baseload facilities (and its other renewable sources) at full capacity after SCP begins service, and will reduce production from the non-renewable portion of its generation portfolio to account for the loss of SCP customers. Thus the implementation of SCP would result in reducing the amount of power produced from the most greenhouse-gas intensive portion of the PG&E supply (e.g., the 25% of PG&E supply that is from natural gas-fired plants) and replacing it with SCP's 33% renewable supply, resulting in a net overall reduction in greenhouse gas emissions. These benefits will become more pronounced over time as SCP adds new renewable generation resources to the system. The Feasibility Study for SCP also confirmed that the program would result in significant reductions in greenhouse gas emissions.

22. **How will SCP help Sonoma County build more renewable energy projects?**
SCP will develop a detailed plan for renewables later in 2013. The plan will include specific goals for feed-in tariffs, net energy metering, power purchase agreements, Community Solar, project financing pools and other approaches to encouraging renewable energy development. We expect that in 2014, SCP will contract with other public agencies and larger private projects to buy long-term energy supplies, and that by 2015, SCP will provide financial incentives, including a feed-in tariff or a similar program to directly purchase energy generated from local renewable energy projects at favorable rates. SCP also intends to create a Community Solar program, in which customers are invited to buy shares of community-owned systems. SCP is exploring the use of bond issuance to support low-cost project financing for local project development.

23. **How will SCP avoid the feed-in tariff problems that occurred in Germany?**
A combination of strategies will be used to ensure that any feed-in tariff (FIT) to support renewable energy production will remain financially viable. The FIT program will be planned in detail later in 2013, but likely will include a strict limit on the total capacity allowed into the program in each round and price differences for baseload sources such as geothermal relative to variable sources such as wind and solar photovoltaic. Also, SCP will actively explore other ways to increase private investment in renewable energy, including a Community Solar program.

24. **What kinds of energy efficiency programs will SCP offer?**
SCP will develop a detailed plan for energy efficiency and load management by mid-2014. The plan will include details on the programs most valuable for Sonoma County and target reductions in loads.

25. **Would SCP remain viable if it cuts loads and installs a lot of renewables?**
Yes. Even with extraordinarily successful efforts to help customers reduce their energy use and install local renewable systems, there will be a sizable and viable energy market in Sonoma County.

26. **What laws govern how CCAs operate?**
California AB 117 (Migden) sets out the framework for the formation and operation of CCAs. AB 117 provides, in part: "All electrical corporations shall cooperate fully with any community choice aggregators that investigate, pursue, or implement community choice aggregation programs." SB 790 (Leno) provides important limitations on how investor-

owned utilities may or may not market against the formation of CCAs and customer enrollment.